



## HOUSE ARMED SERVICES COMMITTEE DUNCAN HUNTER – CHAIRMAN

### **PRESS RELEASE**

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### **Prime Vender Investigation a Win for American Taxpayers**

*House Armed Services Committee Members Release Results from  
Department of Defense Investigation into Exorbitant Pricing*

**Washington, D.C.** --- Members of the U.S. House Armed Services Committee today released results from an internal Department of Defense investigation into exorbitant pricing in the Defense Logistic Agency's (DLA) Prime Vendor Program. The results of the investigation, spurred by a November 2006 House Armed Services Committee hearing, showed pricing inconsistencies within the Prime Vendor program and outlined specific corrective action and reforms being implemented by the Defense Logistics Agency.

"Every dollar saved in the Pentagon's budget is another dollar that can be used to support American warfighters," said U.S. Rep. Duncan Hunter (R-CA), Chairman of the House Armed Services Committee. "This is a good first step in our efforts to ensure the Prime Vendor program works for our troops and American taxpayers. We'll continue to follow this issue as we work to reform the Pentagon's acquisition process."

"After reading about DLA's purchase of overpriced ice cube trays and refrigerators, we brought the agency before the committee twice to explain themselves. DLA then initiated an extensive review and discovered problems far more serious than previously realized. I am pleased to see that they are now taking action to clean up their processes. This is a classic case where aggressive congressional oversight has led to real savings for the taxpayer," said U.S. Rep. Ike Skelton, Ranking Member of the U.S. House Armed Services Committee.

"The Prime Vendor program was purchasing various items at exorbitant prices, with blatant disregard for the taxpayer. Sure enough, the Pentagon's investigation has found that millions of dollars were being wasted because of a bureaucratic failure. The American taxpayer can now claim victory," said U.S. Rep. Walter Jones (R-NC).

"When Buddy Jones, of Columbia, SC, told me of the unfair competition he faced as a 'non-prime contractor,' I was suspicious. When I saw the spreadsheet of comparative prices

compiled by *The State* newspaper, I was troubled. When I saw a four-foot refrigerator for which a prime contractor charged \$23,462, I was convinced and outraged. I told the commanding officer that there were too many disparities for this to be ‘just an anomaly.’ I could see that he was shaken, and I am glad that the military has finally gotten to the bottom of this matter. This proves the value of congressional oversight, and the value of good journalism as well,” said U.S. Rep. John Spratt (D-SC).

The overall purpose of the Defense Logistics Agency’s Prime Vendor program is to streamline supply chain management, lower overall costs to the government and improve service to the warfighting customers by allowing military customers to buy commercial products directly from a list of pre-established commercial distributors.

Specific corrective actions and reforms resulting from the investigation include the following:

- The Defense Logistics Agency is seeking and receiving reimbursement for product and service overcharges through both voluntary and legal means.
- Numerous government officials in the chain-of-purchase for a refrigerator purchased for \$32,000 were reassigned, disciplined or have resigned.
- Contracts for Food Service Equipment (FSE) will no longer be included in the Prime Vendor Program. Upon expiration of the current contracts in June 2006, the Defense Logistics Agency will implement a new acquisition strategy for future contracts, which will consist of a full and open competition, require discounts for government purchases and consist of a fixed price catalogue to ensure consistent and reasonable prices.
- The Defense Criminal Investigative Service is conducting an ongoing criminal inquiry into the pricing inconsistencies at the request of the Defense Logistics Agency Director.

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